

# BRICS DEVELOPMENT (BRAZIL, RUSSIA, INDIA, CHINA AND SOUTH AFRICA) IN GLOBAL POLITICAL ECONOMIC RULES

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## **ABSTRAK**

*BRICS is an organization to accommodate and accommodate the industrial threshold countries at the time (10 years ago), and the first time the term was used by US economist Jim O'Neal, an economist with global financial company Goldman Sachs, in 2001. BRIC is an acronym from Brazil, Russia, India, China and South Africa. The BRICS leaders insist that this group will be a force of change. BRICS countries want themselves as spokespersons for developing countries. The BRICS countries together now represent almost one fifth of the global economy.*

**Keywords:** BRICS, Global Political Economy.

## **A.INTRODUCTION**

At the beginning of its establishment or joining (2003 to 2008) BRICS member countries noted large population economy, large land, and above average economic growth. Currently four BRIC countries have more than a quarter of the world's land area, 40 percent of the world's population, and around 18 percent of the world economy. South Africa in terms of area size and population of only around 50 million people The inclusion of South Africa is at the invitation of China which may think it is politically important to include the most advanced countries in the African Continent so that the ideas and thoughts of the BRICS conference can be accepted by all developing countries and the international world. China is currently actively building political, economic and investment cooperation in the African Continent as a promising region to become a future supplier of energy, mining and food. BRICS is being assessed as a factor in reshaping the global economic panorama. In 2012 alone, the average economic growth rate of GDP reached 4%, when developed economies (G7) countries only stopped at 0.7%. According to one study put forward by world economists, BRICS members will continue to maintain a high rate of economic growth over the next 15 years. These are truly impressive figures on the background of the global financial crisis that is rampant in many countries. But now, China is now entering a phase of normalization with growth of between six to eight percent, which is quite dynamic. Brazil, positive predictions. The country is marrying a strong industrial development with a wealth of natural resources ", Likewise with the Indian economy. For Russia, the country does not have a meaningful industry, but only

focuses on the massive exploitation of its natural resources. In addition, among BRICS countries, Russia the most affected by the global economic crisis, because exports and imports of gas and oil are highly dependent on the strong demand of European Union countries, the position of South Africa is difficult, because overall the situation in the surrounding region is complex and unstable. with China or India.

## **B.DISCUSSION**

### **The BRICS phenomenon**

In understanding the BRICS phenomenon, in Muhammad Ridha's view, his writings are understood to be a strong link between this phenomenon and the dynamics of capitalism. Since capitalism has its dynamics due to internal contradictions in capitalism. Marx said that capital has inherent characteristics that contradict one another. on the one hand he has the ability to develop himself with unlimited. But on the other hand capital has continued to develop forcing itself to die slowly. The shift of managerial patterns of capitalism to the latest form known as globalization of free trade, creates a condition where the relations of political economy tend to be decentralized. The need for free trade forms a configuration of its own political economy in which each country is forced to participate in this relationship while encouraging them to improve the competitive character of the industry in each country. BRIC are countries that are able to strategically use this relationship to drive economic progress. The emergence of BRIC as a world economic power is a consequence of the internal dynamics of capitalism. BRIC at least shows that the movement of the world, especially the world political economy system is undergoing transformation. Where once the anchor of the world economy was very dependent on the strength of US hegemonic, then with the globalization of free trade, this hegemonic power was increasingly eroded in relevance.

In addition, globalization has made the relations of each country dependent on one another. Not only illustrative bias can we see the experience of the US crisis that spreads to any corner of the world, but also how the real threats facing our society such as ecological threats. BRIC is a sign that the world that exists today is in a big fault. A fracture that can lead us to a completely new form of the world we live in today. IMF data explains that the BRICS trade volume increased on average 28 percent annually from 2001 to 2010. BRICS also recorded a total trade volume of 230 billion US dollars in 2010. BRICS countries want themselves as spokespersons for developing countries. The BRICS countries together now represent almost one fifth of the global economy. The total GDP (Gross Domestic Product) of BRICS is currently around 11 trillion US dollars. This figure can continue to grow even it is estimated that it can

definitely exceed Uncle Sam's GDP in the range of 15 trillion US dollars. The five developing countries have great potential in maintaining economic stability from the adverse effects of the American and European crises, helping to bring about quantitative changes around the world and playing an important role in dialogue between the G20 and G7. BRICS member countries seek to create a peaceful international environment, and promote democracy and equality in international relations, which is contrary to the confrontational Cold War mentality. The five members of the BRICS country hope to build a more equitable global economic and financial world order, which is still dominated by developed countries, especially the United States with the International Monetary Fund and its World Bank. In addition, the strategic objective of the BRIC group is to build a democratic world balance in a multipolar world system, equitable development and ensure that the United Nations plays a central role in world affairs. China and Russia are permanent members of the UN Security Council. And if India, Brazil or South Africa succeed in gaining permanent Security Council seats, it will further enhance the status of BRICS in global influence. As a coalition that is different from other international organizations, BRICS strives for further improvements in the new world order based on the Five Principles of Peace Coexistence and "Spirit of Bandung".

### **Problems faced by BRICS Member States**

The members of the BRICS group are indeed very different from each other. And sometimes conflicts of interest also occur. China, for example, is upset, because other BRICS members accuse the country of dumping. Russia which imposes strict import restrictions on agricultural products has been criticized by Brazil. Russia has an ambition to become an exporter of agrarian products and as such become a direct competitor of Brazil. Close collaboration between BRICS countries is indeed difficult. The economies of the five countries are not complementary, therefore they cannot support each other. The main market for Chinese products is other Asian countries. And the Brazilian industry is oriented towards the needs of Latin American countries. In other words: for the five industrial threshold countries incorporated in BRICS, regional cooperation is a priority. In addition, BRICS members have different political systems, making it difficult to form a single block. The linkages between BRICS members are essentially according to the pattern of bilateral relations, in order to maximize all national interests. Despite having shared views on global issues, in all BRICS member countries there are still differences of opinion concerned with their own interests. It is precisely this difference that has made collaboration between BRICS member countries develop relatively slowly, contrary to the rapid development of each member country. The proof is disputes that have taken a long

time in a series of problems. The first is the discussion on the establishment of a joint development bank. Next is the BRICS countries, although not satisfied with the status of considering the USD as the world's reserve currency, but cannot agree on how to propose a reaction in this matter. China has always carried out the ambition of bringing the Renminbi currency into a global currency, competing with the USD and the Euro, and has a plan to expand all loan posts with the Renminbi for all other BRICS members. But, this has a negative effect on the production market in other BRICS countries. In internal BRIC also there is no unanimity of interests.

Brazil and Russia hope that the prices of energy and crude raw materials rise in search of interests, but China and India - the two major countries in the production of goods, want the prices of energy and crude raw materials to fall. This is the basic contradiction about interests between BRICS member countries. Or Brazil - an agrarian country that has the most competitiveness in the world, but cannot approach the Indian agricultural market, because New Delhi is very concerned defending 300 million people in an agricultural sector whose competitiveness is very low. In international matters, internal BRICS also did not achieve unity. When China refused to expand the number of permanent members of the UN Security Council, India had a completely contradictory view when it stated that there could not be one single Asian country, namely China, which could get a permanent seat on the UN Security Council. BRIC countries are inhabited by 40 percent of the world's population, covering about a quarter of the earth's landmass. But they are very different in economic terms. Brazil exports raw materials and industrial products. China is an exporter of industrial products, Russia exclusively exports raw materials. India compared to others, its economy is still closed. So these four countries are very different. What unites these industrial threshold countries is that they are an attractive market because of their large population size. Large population and high economic growth. This combination is the attraction of the four countries in the eyes of investors. Although since the 2008 economic crisis, the level of growth in BRIC countries has slowed, the figures are still quite impressive compared to developed countries. Each BRIC country is now facing a problem. Brazilian economic growth is stagnating. Russia is very dependent on primary commodities and does not have a competitive industry. Liberalization of the Indian economy will still take a long time, as seen in the decision of foreign investment in the retail world. China depends on exports and developments in Europe and the United States. The Chinese domestic market is also threatened by the property bubble.

## Progress of BRICS

At the last summit in the port city of Durban, leaders of Brazil, Russia, India, China and the hosts of South Africa agreed on fundamental principles to jointly form a lending body, but they said that further talks were needed to finalize the plan.

The group leaders are expected to consider forming a joint bank. South Africa and other BRIC countries are expected to agree on launching an authorized capital of US \$ 50 billion at the two-day summit. The much-debated bank is seen as a way to strengthen influence on the world stage, fight the economic crisis that is dragging Europe and bail out 4.5 trillion US dollars of infrastructure funds needed by BRICS over the next five years. But the BRICS leaders only agreed on an initial capital contribution whose value was considered. Key points in this bank problem, according to observers, include the question of how the development project financed by the bank will be distributed and where the bank will stand. BRICS finally decided to establish its own Development Bank to rival the International Monetary Fund (IMF) and the World Bank. For Russia, the inclusion of the plan to establish the bank in the 6th meeting of BRICS in Brazil was a major opportunity to increase its economic independence from Western domination. Russia highlighted this in relation to the isolation of the Russian economy due to policies in Ukraine. For Russia, the establishment of the BRICS Development Bank worth 100 USD and the foreign exchange reserve (Contingent Reserve Arrangement / CRA) worth another 100 USD is a political coup, against the stability of the world economy under the control of the World Bank and the IMF.

This opportunity is considered to be more binding on the Russian economy with other countries such as India, Brazil, China and South Africa. Russia's excitement is the answer to these countries' anxiety over the dominance of the current world order. The establishment of the CRA and the planned Development Bank called the New Development Bank (NDB) will face the dominance of the IMF which has assets of 300 billion USD and the World Bank 490 billion USD. Both of them, so far, are considered too dominated by the United States economy and its currency. Although these five countries still need a long time to unite their differences, the five of them share a bitter experience with the two institutions. Especially in facing economic sanctions from Western powers. Or at least have been forced to follow the requirements of the IMF for economic tightening. After falling into debt in the 1990s, Russia never again desire to go into debt from the IMF after paying off the 2000s. China, as expressed by Li Baodong, Deputy Foreign Minister, strongly supports the BRICS Development Bank as soon as possible to create a safety net at BRICS. Meanwhile, developing countries have also been often upset over the actions of the US Congress which has always refused to increase funds at the IMF to help countries

experiencing economic problems. The increase in funds is feared will give China and developing countries greater voting power at the IMF. The BRICS countries have also given up on the Fed's Quantitative Easing (QE) game. Large-scale bond purchases by the Fed to stimulate the US economy, and suddenly do a 'tapering' to attract capital back to the US, very disrupting the stock markets of these countries. The BRICS countries see this moment as an opportunity to advance their respective economies. One of them is China, seeing this moment as an opportunity for financing in developing countries, because the economic crisis in developing countries has an impact on the weakening of the Chinese economy. Chinese state media, CCTV, wrote that the five BRICS countries decided to form this bank in 2013. The motivation was the growing distrust of the World Bank, which was accused of paying too much attention to the economic agenda of the Atlantic Euro. The main function of the BRICS Development Bank is to mobilize "infrastructure resources and sustainable development projects in BRICS and 'emerging economy and developing countries.'"

The formation plan, launched in 2013, aims to rival the Washington-based World Bank and the IMF. Marcos Troyjo, director of the BRIC Lab research center at Columbia University, New York, said the formation of the bank would be the backbone of BRICS, which is not a formal international organization. BRICS only takes the first steps towards a platform to build consensus on an international agenda, such as rules for international trade, joint action at the UN or WTO. The bank will have an initial capital of USD50 billion, each country contributing an equal share, while reserve funds will reach USD100 billion. Brazilian Minister of Industry and Trade, Mauro Borges, sees that the Bank is the key to driving growth for BRICS countries. For funds, China made the biggest contribution of USD41 billion, followed by Brazil, India and Russia with USD18 billion, and South Africa with USD5 billion. However, until now they have not agreed on where the bank's headquarters are. Shanghai is seen as the foremost leader of the bank's headquarters. However, South Africa insisted on the city of Johannesburg. While New Delhi and Moscow are other candidates. Five countries also negotiated which had to take turns holding the presidency of the bank

### C.CONCLUSION

The BRICS leaders insist that this group will be a force of change. President Xi Jinping, underlined the growing importance for China to attach itself to BRICS, and therefore made Durban its first goal as head of state, although he acknowledged that the new economic power group would still have a long way to go. BRICS strength reaches 25 percent of global economic output and 40 percent of the world's population. After 10 years of formation, it is clear that the BRICS strong growth has made an

important contribution in setting the global economic panorama. However, in order to be a comparative weight and one pole in the world economic and political position, BRICS needs to clearly reflect a stronger approach to action, but not only commitments.

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